

OPENING REMARKS OF THE HONORABLE RUBÉN HINOJOSA
HOUSE FINANCIAL SERVICES COMMITTEE
JOINT HEARING
SUBCOMMITTEE ON FINANCIAL INSTITUTIONS
SUBCOMMITTEE ON HOUSING
“SUBPRIME LENDING: DEFINING THE MARKETS AND ITS CUSTOMERS”
MARCH 30, 2004

Chairmen Ney and Bachus and Ranking Members Waters and Sanders,

I want to thank you for calling this very rare joint hearing of two important subcommittees on a topic of particular concern to me and to my constituents: subprime lending and predatory lending. I hope that this will be the first in a series of hearings that you will hold on this subject in both subcommittees and then the Full Committee.

As many of you are aware, subprime lending has increased abusive lending practices particularly aimed at vulnerable populations, such as the Hispanic population in my district. These constituents do not qualify for prime loans and must trust subprime lenders not to impose unnecessary fees or to trap them into schemes where they end up losing their homes, thereby transforming a subprime lending into a predatory lender.

I was concerned to read in Mr. Smith’s testimony that a study by “ABT” and Associates in Atlanta found that foreclosures attributed to subprime lenders accounted for 36 percent of all foreclosures in predominantly minority neighborhoods in 1999, while their share of loan originations was between 26 and 31 percent in the preceding three years.

However, I understand that lenders need to maintain appropriate capital levels and to weigh the risk of the loans they make to lenders. The need exists for a subprime lending market for individuals that pose more of a risk to the lending institution. However, “subprime lending” has yet to be defined, and some claim that it is impossible to define. If that is the case, then I wonder if we are chasing our tails here today. Perhaps we should wait to act until it is defined.

Regardless, legislation has been introduced on subprime lending and predatory lending by my esteemed colleagues Congressmen Ney and Lucas and Congressmen Miller and Watt. I intend to review their proposals carefully prior to taking any positions on the legislation. It is also my understanding that our Ranking Member Kanjorski is working on draft legislation that will be available in 30 to 60 days on this same subject. My staff has already expressed to his staff my desire to work with him on his legislation to ensure that it addresses the needs of the Hispanic population, and other minority populations, in the United States to ensure that my views are protected under its clauses and provisions to every degree possible.

My ultimate goal is to protect my constituents from predatory lenders while ensuring that they receive fair subprime loans if they do not qualify for prime loans. I have yet to review the preemption issue at any great length.

Mr. Chairmen, I yield back the balance of my time.